



September 29, 2009

**HAND-DELIVERED**

Ms. Patricia Van Gerpen  
Executive Director  
South Dakota Public Utilities Commission  
State Capitol Building  
500 East Capitol  
Pierre, South Dakota 57501

Re: Application of Black Hills Power, Inc. for an Increase in Electric Rates

Dear Ms. Van Gerpen:

Black Hills Power, Inc. (Company) hereby submits its Application to the South Dakota Public Utilities Commission (Commission) for authority and consent to make certain changes in its charges for retail electric service provided to the Company's South Dakota customers.

The Company herewith submits an original and twelve (12) copies of the following, together with a CD with a pdf version, of the following:

<u>VOLUME</u>	<u>SECTION</u>	
1	1	Letter of Transmittal Notice of Proposed Changes of Rates and Charges Attestation by Chief Accounting Officer
	2	Tariffs, in legislative and non-legislative format
	3	Comparison of Revenue under Present and Proposed Rates

<u>VOLUME</u>	<u>SECTION</u>	
	4	Statements A through R showing Cost of Service, including Schedules as appropriate
		A. Balance Sheets
		B. Income Statement
		C. Retained Earnings Statement
		D. Cost of Plant
		E. Accumulated Depreciation
		F. Working Capital
		G. Rate of Return
		H. Operation and Maintenance Expense
		I. Operating Revenues
		J. Depreciation Expense
		K. Income Taxes
		L. Other Taxes
		M. Overall Cost of Service
		N. Allocated Cost of Service
		O. Comparison of Cost of Service
		P. Fuel Cost Adjustment Factor
		Q. Description of Utility Operations
		R. Purchases from Affiliated Companies
	5	Work Papers

<u>VOLUME</u>	<u>SECTION</u>	
2	6	Testimony of Witnesses Stuart A. Wevik Richard C. Loomis Thomas M. Ohlmacher Jill S. Tietjen Jacqueline A. Sargent Mark Lux Christopher J. Kilpatrick William E. Avera Anthony S. Cleberg Larry W. Loos Michael J. McFadden Kyle D. White

The Application proposes an approximate 26.6 percent increase in its South Dakota electric revenues and other changes to the tariffs for service to its South Dakota electric customers. The proposed changes to the rate schedules would increase revenues from South Dakota customers by

approximately \$32,000,000, based on the billings issued for sales of electric energy for the twelve months ended June 30, 2009. The proposed changes would affect the billings of approximately 64,100 customers in South Dakota. The effective date of the proposed changes is the in-service date of Black Hills Power's Wygen III power plant, which is expected to be April 1, 2010, but no earlier than March 1, 2010.

The additional revenue requested in the Application is needed to offset the increased costs incurred by the Company in providing service to its customers, including the addition of the Wygen III plant. The Company is also requesting approval to set up a major maintenance account to expense a portion of the plant overhaul cost each year based on a plant's planned maintenance cycle.

The Company hereby certifies that the Notice of Proposed Changes of Rates and Charges will be exhibited in a conspicuous place in each of the Company's local district offices in the territory affected, for at least thirty (30) days prior to the date such change is to become effective. Each Notice states that the proposed rate and charges are available in that office for inspection. The Company also certifies Notice has been or is being provided to the public in all respects as required by ARSD §§ 20:10:13:17 through 20:10:13:19.

In addition to complying with the requirements of the Commission's administrative rules and regulations pertaining to notifying customers of the Application, the Company's letters are being mailed to the Company's key account customers and community and government leaders; and all of our customers will be made aware of this Application through our Notice that will be included in customer bills, our press release and our website [www.blackhillspower.com](http://www.blackhillspower.com) will contain information describing the Application. We are also prepared to meet with customer groups as requested to provide detailed information regarding our Application. Finally, copies of the Application will be available in all of our local district offices, along with brochures explaining our Application.

The Commission's communications with the Company regarding this Application should be directed to:

Chris Kilpatrick, Director of Rates  
Black Hills Power, Inc.  
P.O.Box 1400 – 625 Ninth Street  
Rapid City, South Dakota 57709-1400  
(605) 721-2748  
[Chris.kilpatrick@blackhillscorp.com](mailto:Chris.kilpatrick@blackhillscorp.com)

with a copy to:

Todd L. Brink, Senior Counsel  
Black Hills Power, Inc.  
P.O.Box 1400 – 625 Ninth Street  
Rapid City, South Dakota 57709-1400  
(605) 721-2516  
[Todd.brink@blackhillscorp.com](mailto:Todd.brink@blackhillscorp.com)

Ms. Patricia Van Gerpen  
9/29/2009  
Page 4

with a copy to:

Lee A. Magnuson  
Lynn, Jackson, Shultz & Lebrun, P.C.  
PO Box 2700  
Sioux Falls, SD 57101-2700  
605-332-5999  
lmagnuson@lynnjackson.com

The Applicant's legal name is Black Hills Power, Inc. with its principal place of business in Rapid City, South Dakota. The Company is a corporation, organized on August 27, 1941 under the laws of South Dakota.

The Company provides retail electric service in South Dakota, Wyoming and Montana.

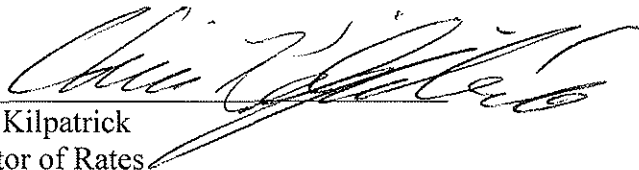
The Company requests confidential treatment of the following in their entirety:

Schedule K-1  
Schedule K-3

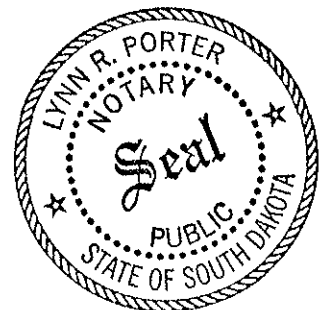
The noted documents qualify for confidential treatment because they contain proprietary business information which the Company does not disclose to the public. The Company requests these noted documents be treated as confidential forever.

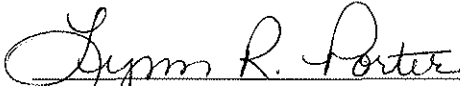
Respectfully submitted,

BLACK HILLS POWER, INC.

By   
Chris Kilpatrick  
Director of Rates

Sworn to and subscribed before this 28<sup>th</sup> day of September, 2009.



  
Notary Public of South Dakota

My Commission Expires: Dec. 1, 2014

## NOTICE OF PROPOSED CHANGES OF RATES AND CHARGES

NOTICE IS HERBY GIVEN that Black Hills Power, Inc. has filed an application with the South Dakota Public Utilities Commission supporting a 26.6 percent increase in its South Dakota electric revenues and other changes to the tariffs for service to its South Dakota electric customers. Black Hills Power is requesting the increase to recover costs associated with increased infrastructure investment, including Wygen III, a coal-fired power plant, and increases in operating costs over the past four years. If approved, the increase would be effective no earlier than March 1, 2010.

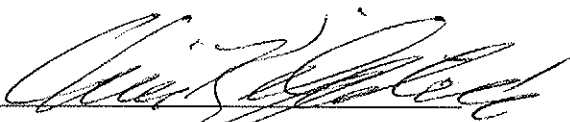
The actual impact of the requested rate increase on individual customer bills will vary depending on the customer's rate class and amount of energy used. Based on this request, a typical residential customer using an average of 600 kilowatt-hours (kWh) of power each month will see an increase of \$17.99 per month, or about 59¢ per day. The increase experienced by commercial and industrial customers will vary depending on rate class, load factor, and amount and nature of use.

This notice was included as part of the Company's Application to the South Dakota Public Utilities Commission.

Under South Dakota law, the customers of an electric utility that is requesting changes in rates have a right to join with 24 other customers and file a written objection to such rate increases and may request the Commission to suspend the rate increase and to hold a public hearing to determine if such rate increase should be allowed.

The application including the proposed rates and changes are available in Black Hills Power's office at 409 Deadwood Avenue, Rapid City for inspection during normal business hours. The application is also available in the local district offices of Black Hills Power, Inc. If you have any questions regarding the Company's Application, please fee free to contact Black Hills Power at 800-742-8948.

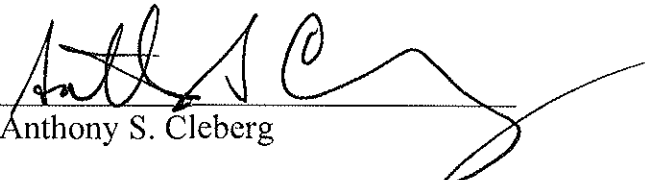
BLACK HILLS POWER, INC.

By   
Chris Kilpatrick, Director of Rates

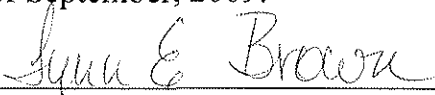
Dated: Sept. 29, 2009

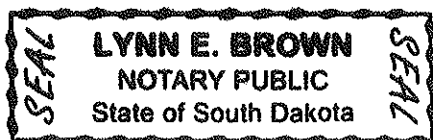
**ATTESTATION**

Anthony S. Cleberg attests that he is the Executive Vice President and Chief Financial Officer of Black Hills Power, Inc. and is the principal accounting officer thereof and that the cost statements and supporting data submitted as part of this filing which purport to reflect the books of Black Hills Power, Inc. do, in fact, set forth the results shown by such books.

  
Anthony S. Cleberg

Subscribed and sworn to before me this 20<sup>th</sup> day of September, 2009.

  
Notary Public



My commission expires: 6-27-2012